

JUDGE TURNAN

13 CV 8277

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the Southern District of New York  
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UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

- - - - -x  
UNITED STATES OF AMERICA :

- v. - :

VERIFIED COMPLAINT

ALL RIGHT, TITLE, AND INTEREST, :  
INCLUDING BUT NOT LIMITED TO, THE :  
ASSETS OF THE FOLLOWING BUSINESSES: :

13 Civ.

- KABB GROCERY, INC., d/b/a "L&C Baby Shop," :
- THE BABY STOP, INC., :
- WONG YUNG GROCERY, INC., d/b/a: "Welcome Baby," :
- K&Z GROCERY, INC., d/b/a "Mama: Baby, Etc.," :
- YING'S GROCERY, INC., :
- KGCB GROCERY, INC., :
- FU YUNG GROCERY, INC., :
- LUCKY STAR GROCERY, INC., :
- B&B GROCERY, INC., :
- LUCKY MARKET, INC., :
- NEW HING WONG GINSENG, INC., :
- H&I GROCERY, INC., :
- YONG FENG MARKET, INC., :
- HONG SHENG FOOD, INC., :
- LUCKY STAR MINI MARKET, INC., :
- XING YONG XING, INC., :
- 6926 FAMILY MART, INC., :
- DOUBLE CRYSTAL GROCERY, INC., :
- XIN SHUN GROCERY, INC., :



ALL RIGHT TITLE AND INTEREST IN THE:  
REAL PROPERTY AND APPURTENANCES,  
TOGETHER WITH ALL IMPROVEMENTS AND :

APPURTENANCES THERETO, in 6101 FIFTH:  
AVENUE, BROOKLYN, NEW YORK, a/k/a  
"510 61 STREET, BROOKLYN, NEW YORK":

Defendants-in-rem. :

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Plaintiff United States of America, by its attorney, Preet  
Bharara, United States Attorney for the Southern District of New  
York, for its complaint alleges as follows:

**I. NATURE OF THE ACTION**

1. This is an action by the United States of America  
seeking forfeiture of all right, title, and interest, including but  
not limited to, the assets of the following businesses:

- a. KABB GROCERY, INC., d/b/a "L&C Baby Shop,"
- b. THE BABY STOP, INC.,
- c. WONG YUNG GROCERY, INC., d/b/a "Welcome Baby,"
- d. K&Z GROCERY, INC., d/b/a "Mama Baby, Etc.,"
- e. YING'S GROCERY, INC.,
- f. KGCB GROCERY, INC.,
- g. FU YUNG GROCERY, INC.,
- h. LUCKY STAR GROCERY, INC.,
- i. B&B GROCERY, INC.,
- j. LUCKY MARKET, INC.,
- k. NEW HING WONG GINSENG, INC.,
- l. H&I GROCERY, INC.,
- m. YONG FENG MARKET, INC.,
- n. HONG SHENG FOOD, INC.,
- o. LUCKY STAR MINI MARKET, INC.,
- p. XING YONG XING, INC.,
- q. 6926 FAMILY MART, INC.,
- r. DOUBLE CRYSTAL GROCERY, INC.,
- s. XIN SHUN GROCERY, INC.,

(the "Defendant Businesses"). The assets of the Defendant

Businesses include the accounts listed in Exhibit A, attached hereto (the "Defendant Accounts"). This action also seeks forfeiture of all right title and interest in the real property and appurtenances, together with all improvements and appurtenances thereto, in 6101 Fifth Avenue, Brooklyn, New York, a/k/a "510 61 Street, Brooklyn, New York" (the "Building") (collectively, the "Defendant Properties").

2. As further explained herein, the Defendant Properties consist of nineteen small grocery stores in the New York City area, bank accounts, and a Building which have been used by numerous individuals in the Chinese community to promote the theft of government funds, namely, benefits provided under the Special Supplemental Nutrition Program for Women, Infants, and Children ("WIC"), which is federally funded by the United States Department of Agriculture ("USDA") and administered at the state level by the New York State Department of Health, Division of Nutrition ("NYS DOH").

3. Specifically, the Defendant Properties have been used to illegally cash and negotiate WIC checks by, among other things, illegally providing cash to WIC recipients in exchange for 15 to 20 percent of the face value of the WIC voucher. In addition, many of these individuals have used their WIC-licensed stores to

falsely certify to the Government that WIC benefits were redeemed in their stores, when, in fact, they were redeemed at unlicensed locations owned and controlled by relatives.

4. Accordingly, as part of the WIC fraud detailed below, these individuals have used the Defendant Properties to perpetuate the WIC fraud and launder the proceeds of the fraud for the purpose of promoting the fraud and the money laundering and concealing the proceeds of the fraud. As such, the Defendant Properties are subject to forfeiture as property involved in money laundering pursuant to 18 U.S.C. § 981(a)(1)(A). Further, the Defendant Properties includes numerous bank accounts which contain the proceeds of the WIC fraud and thus, these bank accounts are subject to forfeiture pursuant to 18 U.S.C. § 981(a)(1)(C) as property constituting or derived from proceeds traceable to a conspiracy to steal government funds, in violation of 18 U.S.C. § 371 and theft of government funds, in violation of 18 U.S.C. § 641.

## **II. JURISDICTION AND VENUE**

5. This Court has jurisdiction pursuant to Title 28, United States Code, Sections 1345 and 1355.

6. Venue is proper under Title 28, United States Code, Section 1355(b)(1)(A) and (B) because, among other things, actions giving rise to forfeiture took place in the Southern District of New

York.

### **III. BACKGROUND AND OVERVIEW OF THE WIC PROGRAM**

7. The WIC program provides Federal grants to States to provide, among other things, supplemental foods to low-income pregnant, breastfeeding, and non-breastfeeding postpartum women, and children up to age five who are found to be at nutritional risk. Residents of New York who are interested in receiving benefits under the WIC Program must first apply to NYS DOH to determine if they meet the criteria. If accepted, the participants are provided with a WIC Identification Card (a "WIC ID") and start to receive vouchers checks/vouchers ("WIC Checks") which are redeemable for certain food items.

#### **THE WIC CHECKS**

8. In New York, all WIC Checks have a box on the left side of the check with the heading, "FOR THESE ITEMS ONLY." The items that are listed in that box are the only items that may be purchased with that WIC Check. By way of example, a given WIC Check may list "1 Gallon + 1 Half Gallon Nonfat or 1% Low Fat Milk and 1 48-ounce Container of 11.5-12 ounce Concentrate WIC Juice" in that box, meaning that the WIC Check is only redeemable for these two items.

9. Each check is also assigned a maximum value that the store accepting the check will be reimbursed for those items. Under

no circumstances are WIC Checks to be redeemed for items not listed on the face of the WIC Check or for cash.

THE WIC LICENSED STORES AND DESIGNATED CORPORATE ACCOUNTS

10. Not all stores can accept WIC Checks. In order to be able to do so, you must be licensed by the State. Licensing requires an interested storeowner to submit an application packet and, once approved, to execute a contract agreeing to abide by all WIC policies and regulations - including the prohibition that WIC Checks not be redeemed for items not listed on the face of the WIC Check or for cash. Before being officially licensed, the storeowner must attend a training program given in the Southern District of New York that teaches WIC licensees ("WIC Vendors") the proper procedures for accepting checks and getting them redeemed. The WIC Vendor must also agree to train all staff in the proper method of processing WIC Checks.

11. After completing the training process, the WIC Vendor receives a stamp with a unique identifier number (the "WIC Stamp") which they use to stamp each WIC Check they receive. When the WIC Check is presented for payment, that number tells the Government which WIC Vendor to reimburse for the stated value of that WIC Check. That reimbursement can only be made to the specified corporate account unique to that store location and vendor ID, which the WIC

Vendor designates in the NYS DOH application process. Per program regulations, WIC Vendors may not stamp WIC Checks that were redeemed at other stores.

#### REDEEMING WIC CHECKS

12. When a participant in the WIC program wants to buy food with their WIC Check, they must do the following:

a. Go to an approved WIC Vendor and select the items listed in the box on the left side of the WIC Check.

b. At the register, they present their WIC ID and the WIC Check so the WIC Vendor can match the number on the WIC ID with number on the WIC check to make sure that the proper person is using the check.

c. The WIC Vendor then totals up the cost of the items and makes sure that it does not exceed the maximum value listed on the WIC Check. Assuming it does not, the WIC Vendor prints the proper amount in the designated box on the front of the check, has the participant sign the check and then stamps the front of the check with his or her WIC Stamp.

d. The WIC Vendor then deposits that check into their designated corporate bank account. When the check is presented to the Government's authorized bank for the WIC Program, that bank confirms that the WIC Check has been stamped and then sends

the money to the corporate bank account associated with that WIC Stamp number.

#### **IV. THE INVESTIGATION**

13. The investigation, led by the Department of Homeland Security, Homeland Security Investigations ("HSI"), has revealed that at least 18 stores in the New York City area have illegally accepted WIC Checks and cashed them for 80 to 85 percent of the face value of the WIC Check. Specifically, between March 2013 and November 2013, HSI New York conducted approximately one hundred (100) undercover operations at the eighteen targeted business locations identified below. At each location, undercover agents and/or confidential informants ("CIs") successfully cashed WIC Checks totaling approximately \$70,000.00, resulting in a cash return of approximately \$50,000.00 of illicit proceeds, the result of an exchange commission rate ranging from 80 to 85 percent of the face value of the WIC Check at each of the stores. In addition, the investigation revealed that other stores are being used to redeem WIC Checks.

14. Federal and state records indicate that these same grocery stores have redeemed in excess of \$50 million in WIC benefits between in or about January 2010 and November 2013. Further, based on confidential sources, as well as a review of the amount of WIC

checks negotiated through these stores, the size of the various groceries stores, and location of these stores, upon information and belief, these stores have engaged in the WIC fraud as early as January 2010.

15. In addition to illegally purchasing the WIC Checks for cash in violation of WIC program rules and regulations, a review of the negotiated WIC Checks confirms that in many instances, the store affixing the WIC Stamp was not the store where the CIs redeemed the WIC Check. Because many of the stores were not even licensed to accept WIC Checks in the first instance, these store owners who illegally cashed the WIC Checks thereafter used affiliated WIC-licensed stores to redeem the WIC Checks when the licensed store never provided merchandise to the WIC recipients.

16. A review of NYS DOH records and bank records associated with each of these stores where the WIC Checks were illegally negotiated reveals that in many instances, the owners of the licensed and unlicensed stores were, in fact, related.

17. Bank records for the official corporate bank account on file with NYS DOH for the WIC licensed stores further reveal vast sums of money laundered via the designated corporate accounts and thereafter transferred to the owners of the unlicensed stores.

## V. THE CRIMINAL CHARGES

18. All owners and controllers of the aforementioned stores were criminally charged either in the Southern District of New York or in New York State Criminal Court, Kings County and New York County. See See, e.g., *United States v. Yo, et al.*, 13 Mag. 2701 (filed S.D.N.Y. on November 18, 2013) (charging Tung Cha Yo, a/k/a "Leo," Sung Man Chan, Ying Zheng, Qiguang Zhang, Feng Zheng, Sau Wa Yeung, Sau Chan, Zhaojun Lin, Huilan Liu, and Yu Wang with violations of 18 U.S.C. § 371 (conspiracy to steal government funds); 18 U.S.C. § 641 (theft of government funds); 18 U.S.C. § 1956(h) (conspiracy to commit money laundering); and 18 U.S.C. § 1956 (a) (1) (B) (i) (money laundering); *United States v. Dong, et al.*, 13 Mag. 2702 (filed S.D.N.Y. on November 18, 2013) (charging Gigi Dong, Shumin Dong, Lan Lu Jiang, and Aniy Li with violations of 18 U.S.C. § 371 (conspiracy to steal government funds)); *United States v. Lin, et al.*, 13 Mag. 2703 (filed S.D.N.Y. on November 18, 2013) (charging Yong Lin and Qiao Fang Zheng with violations of 18 U.S.C. § 371 (conspiracy to steal government funds)); *New York v. Zeng, et al.*, Dkt. Nos. 2013KN087648/49/50 (charging Ce Yang Zeng, Qiu Yan Zeng, and Double Crystal Grocery, Inc., with violations of N.Y. Penal Law Sections 170.10 (forgery), 155.35 (grand larceny), 175.10 (falsifying business records, among other violations); *New York v.*

*Run Lu, et al.*, Dkt. Nos. 2013KN087651/69/70/75/76 (charging Run Lu, Xiu Zhen Lu, Qiu Bin Lu, Hong Sheng Food, Inc., and Heng Feng Food, Inc., with violations of N.Y. Penal Law Sections 170.10 (forgery), 155.35 (grand larceny), 175.10 (falsifying business records, among other violations); *New York v. Xing Lu, et al.*, Dkt. Nos. 2013KN087664/65/66/67/68 (charging Xing Lu, Tian Zhuang Lu, Run Lu, Lucky Star Mini Market, Inc., and Lucky Market, Inc., with violations of N.Y. Penal Law Sections 170.10 (forgery), 155.35 (grand larceny), 175.10 (falsifying business records, among other violations); *New York v. Zheng, et al.*, Dkt. Nos. 2013KN087646/47 (charging Ri Zhan Zheng and Xing Yong Xing, Inc., with violations of N.Y. Penal Law Sections 170.10 (forgery), 155.35 (grand larceny), 175.10 (falsifying business records, among other violations); *New York v. Chan, et al.*, Dkt. Nos. 2013KN087677/78/79/80/81/82/83 (charging Ho Chan, Xiu Lin, Jie Chen, Hao Chen, H&I Grocery, Inc., 6926 Family Mart, Inc., and Yong Feng Market, Inc., with violations of N.Y. Penal Law Sections 170.10 (forgery), 155.35 (grand larceny), 175.10 (falsifying business records, among other violations); and *New York v. Liu, et al.*, Dkt. Nos. 2013KN086898/99/86900 (charging Yi Ting Liu, De Yun Zheng, Yong Zhou, Xi Shun Grocery, Inc., and New Hing Wong Ginseng, Inc., with violations of N.Y. Penal Law Sections 170.10 (forgery), 155.35 (grand larceny), 175.10 (falsifying business

records, among other violations).

**VI. FEDERAL SEIZURE WARRANTS**

19. On November 19, 2013, the Honorable Kevin Nathaniel Fox, United States Magistrate Judge, Southern District of New York, found probable cause to seize the Defendant Accounts as property subject to forfeiture as property involved in money laundering and as property constituting or derived from proceeds traceable to a conspiracy to steal government funds, in violation of 18 U.S.C. § 371 and theft of government funds, in violation of 18 U.S.C. § 641.

**VII. PROBABLE CAUSE FOR FORFEITURE**

20. The Defendant Properties consists of nineteen grocery stores, as well as related assets, including but not limited to bank accounts and a Building, through which the fraud was promoted and concealed. As further explained below, some of these grocery stores are affiliated stores, either owned and controlled by the same set of individuals, or alternatively, are unlicensed stores which collude with other licensed stores to perpetuate and promote the WIC fraud. Specifically:

**STORES NOS. 1 - 6: THE LEO NETWORK OF GROCERY STORES**

**STORE NO. 1: KABB GROCERY, INC., D/B/A "L&C BABY SHOP,"**

21. Kabb's Grocery, Inc., a/k/a "L&C Baby Shop," ("Kabb's") is located at 34 Eldridge Street, New York, New York.

22. NYS DOH records reveal that Kabb's was granted a WIC license on or about August 17, 2013. Prior to that date, Kabb's did not have a WIC License. The application materials for Kabb's WIC License list Sau Wa Yeung, a defendant, as the proprietor of Kabb's.

23. NYS DOH records also reveal that a business with the name L&C Baby Shop previously held a WIC License and operated at 34 Eldridge Street, New York, New York, the current location of Kabb's. Feng Zheng, a defendant, is listed on application documents for that license as the President of L&C Baby Shop.

24. From in or about March 2013, up to and including August 2013, when Kabb's did not have a license to accept WIC Checks, the CIs redeemed 92 WIC Checks at Kabb's for cash. Specifically, the CIs redeemed 12 WIC Checks at Kabb's in March 2013; six WIC Checks in May 2013; 49 WIC Checks in June 2013; eight WIC Checks in July 2013; and 17 WIC Checks in August 2013. At no point during the above-described period did an employee of Kabb's refuse to redeem a WIC Check for cash.

25. In each of CI operations, the CI was given cash equal to 80-85 percent of the maximum value of the WIC Checks they exchanged for cash.

26. Bank records reveal that Kabb's has a bank account at Cathay Bank ending in No. 4170 (the "Cathay 4170 Account"). The

signatory to this account are Tung Cha Yo, a/k/a "Leo," and Sau Wa Yeung.

27. As set forth below, because Kabb's was not licensed to accept WIC Checks in the first instance, all of the WIC Checks were designated as redeemed through a different, licensed store owned or controlled by Tung Cha Yo, a/k/a "Leo."

**STORE NO. 2: THE BABY STOP, INC.**

28. The Baby Stop, Inc. ("The Baby Stop") is located at 136-10 37th Avenue, Flushing, New York.

29. New York State Corporate records indicate that Sau Chan is the registered owner of this store.

30. NYS DOH records reveal that The Baby Stop has no active WIC license and did not have one during the entire period of this investigation.

31. From in or about April 2013, up to and including August 2013, the CIs redeemed 62 WIC Checks at The Baby Stop for cash. Specifically, the CIs redeemed 10 WIC Checks at The Baby Stop in April 2013; six WIC Checks in May 2013; 20 WIC Checks in June 2013; nine WIC Checks in July 2013; and 17 WIC Checks in August 2013. At no point during the above-described period did an employee of The Baby Stop refuse to redeem a WIC Check for cash.

32. In each of CI operations, the CI was given cash equal

to 80-85 percent of the maximum value of the WIC Checks they exchanged for cash.

33. As set forth below, because The Baby Stop was not licensed to accept WIC Checks in the first instance, all of the WIC Checks were designated as redeemed through another licensed store owned or controlled by Tung Cha Yo, a/k/a "Leo."

**STORE NO. 3: WONG YUNG GROCERY, INC., D/B/A "WELCOME BABY,"**

34. Wong Yung Grocery, Inc., a/k/a "Welcome Baby," ("Wong Yung's") is located at 46-12 7th Avenue, Brooklyn, New York.

35. NYS DOH records reveal that Wong Yung's previously held a WIC License, which was terminated in January 2011. Wong Yung's has no current WIC license and did not have one during the entire period of this investigation. NYS DOH records further reveal that a business with the name L&C Grocery, Inc., previously held a WIC License and operated at 46-12 7th Avenue, Brooklyn, New York, the current location of Wong Yung's. The proprietor of L&C Grocery, Inc., was SAU CHAN, a defendant, and L&C Grocery's WIC License was terminated in December 2009.

36. From in or about March 2013, up to and including August 2013, the CIs redeemed 57 WIC Checks at Wong Yung's for cash. Specifically, the CIs redeemed six WIC Checks at Wong Yung's in March 2013; six WIC Checks in May 2013; 20 WIC Checks in June 2013; eight

WIC Checks in July 2013; and 17 WIC Checks in August 2013. At no point during the above-described period did an employee of Wong Yung's refuse to redeem a WIC Check for cash.

37. In each of CI operations, the CI was given cash equal to 80-85 percent of the maximum value of the WIC Checks they exchanged for cash.

38. Bank records reveal that Wong Yung's has a bank account at Cathay Bank ending in No. 2387 (the "Cathay 2387 Account"). The signatories to this account are Tung Cha Yo, a/k/a "Leo", Zhao Deng Chen, Tong You, and Sung Man Chan, all defendants in the criminal cases.

39. As set forth below, because Wong Yung's was not licensed to accept WIC Checks in the first instance, all of the WIC Checks were designated as redeemed through another licensed store owned or controlled by Tung Cha Yo, a/k/a "Leo."

**STORE NO. 4: K&Z GROCERY, INC., D/B/A "MAMA BABY, ETC.,"**

40. K&Z Grocery, Inc. ("K&Z's), a/k/a "Mama Baby, Etc.," located at 42-75 Main Street, Flushing, Queens.

41. NYS DOH records reveal that a business with the name Chan's Grocery previously held a WIC License and operated at 42-75 Main Street, Flushing, Queens, the current location of K&Z's. SUNG MAN CHAN, a defendant, is listed on the WIC application as the

President of Chan's Grocery. The WIC License for Chan's Grocery was terminated in August 2010.

42. K&Z's itself previously held a WIC License, which was terminated in March 2012. TUNG CHA YO, a/k/a "Leo," a defendant, was listed as the President of K&Z's on the application for that license. K&Z's has no current WIC license and did not have one during the entire period of this investigation.

43. From in or about March 2013, up to and including August 2013, the CIs redeemed 54 WIC Checks at K&Z'S for cash. Specifically, the CIs redeemed nine WIC Checks at K&Z's in March 2013; 20 WIC Checks in June 2013; eight WIC Checks in July 2013; and 17 WIC Checks in August 2013. At no point during the above-described period did an employee of K&Z'S refuse to redeem a WIC Check for cash.

44. In each of CI operations, the CI was given cash equal to 80-85 percent of the maximum value of the WIC Checks they exchanged for cash.

45. Bank records reveal that K&Z's has a bank account at Cathay Bank ending in No. 7449 (the "Cathay 7449 Account"). The signatories to this account are Tung Cha Yo, a/k/a "Leo", Sung Man Chan, and Feng Zheng, all defendants in the criminal cases.

46. As set forth below, because K&Z's was not licensed to accept WIC Checks in the first instance, all of the WIC Checks

were designated as redeemed through another licensed store owned or controlled by Tung Cha Yo, a/k/a "Leo."

**STORE NO. 5: YING'S GROCERY, INC.**

47. Ying's Grocery, Inc. ("Ying's"), is a one-register, 900 square-foot store located at 94-27 37th Avenue, Jackson Heights, Queens.

48. NYS DOH records reveal that in or about May 2012, YING ZHENG, a defendant, applied for a WIC License on behalf of Ying's. The application listed YING ZHENG as the President of Ying's. YING ZHENG estimated Ying's annual projected gross sales at \$700,000. The application attached a lease for 94-27 37<sup>th</sup> Avenue, Jackson Heights, New York signed by YING ZHENG as lessee.

49. YING ZHENG signed a vendor contract in June 2012 which provided, in part, "[t]he Vendor shall not provide cash or contraband in exchange for WIC checks. No WIC transaction will involve the transfer of cash either to or from the Participant."

50. The application was approved in approximately June 2012, and Ying's license is still active.

51. From in or about April 2013, up to and including August 2013, the CIs redeemed 56 WIC Checks at Ying's for cash. Specifically, the CIs redeemed 10 WIC Checks at Ying's in April 2013; 20 WIC Checks in June 2013; nine WIC Checks in July 2013; and 17 WIC

Checks in August 2013. At no point during the above-described period did an employee of Ying's refuse to redeem a WIC Check for cash.

52. In each of CI operations, the CI was given cash equal to 80-85 percent of the maximum value of the WIC Checks they exchanged for cash.

53. Bank records reveal that Ying's has a bank account at Cathay Bank ending in No. 7547 (the "Cathay 7547 Account"). The signatories to this account are Tung Cha Yo, a/k/a "Leo", Sung Man Chan, Ying Zheng, and Qiguang Zhang, all defendants in the criminal cases.

54. As set forth below, because Ying's was licensed to accept WIC Checks, the majority of associated unlicensed stores used Ying's WIC Stamp to redeem the WIC Checks.

55. A review of WIC redemption history maintained by NYS DOH for both Ying's and other WIC Vendors in the same neighborhood as Ying's reveals the magnitude of the fraud:

a. From July 2012 up to and including April 2013, Ying's redeemed an average of approximately 77 WIC Checks per month.

b. In May 2013, Ying's redeemed 12,765 WIC Checks. In June 2013, that number increased to 26,473 and then in July 2013, Ying's redeemed 40,475 WIC Checks. In those three months alone, Ying's redeemed more than \$1,800,000 worth of WIC Checks.

c. In a period from August 2012 up to and including August 2013, another one-register store in the same neighborhood as Ying's redeemed an average of approximately 136 WIC Checks per month. The highest single total for any given month in that period was 183 WIC Checks redeemed in October 2012.

d. During the same period, another one-register store in the same neighborhood as Ying's redeemed an average of approximately 26 WIC Checks per month. The highest single total for any given month in that period was 43 checks in December 2012.

e. During the same period, an 11-register store in the same neighborhood as Ying's redeemed an average of approximately 1,021 WIC Checks per month. The highest single total for any given month in that period was 1,290 WIC Checks in May 2013.

**STORE NO. 6: KGCB GROCERY, INC.**

56. KGCB Grocery, Inc. ("KGCB"), is a one-register, 800 square-foot store, located at 81-04 Broadway, Elmhurst, Queens. Stores Nos. 1 through 6, collectively, the "Leo Network of Grocery Stores".

57. NYS DOH records reveal that in or about August 2011, QIGUANG ZHANG, a defendant, applied for a WIC License on behalf of KGCB. The application listed QIGUANG ZHANG as the President of KGCB. ZHANG estimated KGCB's annual projected gross sales at \$200,000.

The application attached a lease for 81-04 Broadway, Elmhurst, New York signed by QIGUANG ZHANG as lessee.

58. ZHANG signed a vendor contract in September 2011 which provided, in part, "[t]he Vendor shall not provide cash or contraband in exchange for WIC checks. No WIC transaction will involve the transfer of cash either to or from the Participant."

59. The application was approved in approximately October 2011. In or about July 2013, KGCB's participation in the WIC Program was terminated by the NYS DOH. KGCB does not have an active WIC license.

60. From in or about March 2013, up to and including in or about August 2013, the CIs redeemed 57 WIC Checks at KGCB for cash. Specifically, the CIs redeemed 11 WIC Checks in March 2013; 20 WIC Checks in June 2013; nine WIC Checks in July 2013; and 17 WIC Checks in August 2013. At no point during the above-described period did an employee of KGCB refuse to redeem a WIC Check for cash.

61. In each of CI operations, the CI was given cash equal to 80-85 percent of the maximum value of the WIC Checks they exchanged for cash.

62. A review of WIC redemption history maintained by NYS DOH for both KGCB and other WIC Vendors in the same neighborhood as KGCB reveals the magnitude of the fraud:

a. In January 2012 and February 2012, KGCB redeemed a total of 56 WIC Checks. In March 2012 that number went up to 9,719 WIC Checks and in April 2012 the number further increased to 18,212 WIC Checks. Then, from May 2012 through April 2013, KGCB averaged 28,689 WIC Checks that were redeemed per month, or almost 1,000 WIC Checks every day. In May 2013, the number fell to 8,490 WIC Checks.

b. During the period from January 2012, up to and including May 2013, KGCB redeemed more than \$8,300,000 worth of WIC checks.

c. In a period from August 2012 up to and including August 2013, another one-register store in the same neighborhood as KGCB redeemed an average of approximately 171 WIC Checks per month. The highest single total for any given month in that period was 224 WIC Checks, which were redeemed in January 2013.

d. During the same period, another one-register store in the same neighborhood as KGCB redeemed an average of approximately 310 WIC Checks per month. The highest single total for any given month in that period was 437 checks which were redeemed in November 2012.

e. During the same period, a 56-register store in the same neighborhood as KGCB redeemed an average of approximately 317 WIC Checks per month. The highest single total for any given

month in that period was 539 WIC Checks which were redeemed in January 2013.

63. Bank records reveal that KGCB has two bank accounts at Cathay Bank ending in Nos. 7746 and 1887 (the "Cathay 7746 Account" and "Cathay 1887 Account," respectively). The signatories to this account are Tung Cha Yo, a/k/a "Leo", Sung Man Chan, and Qiguang Zhang, all defendants in the criminal cases.

THE LEO NETWORK OF GROCERY STORES AND ASSOCIATED BANK ACCOUNTS

64. The owners and controllers of the Leo Network of Grocery stores perpetuated the WIC fraud through the stores by promoting the WIC fraud and concealing the proceeds of the WIC fraud via the various network of stores and bank accounts. These stores not only illegally cashed WIC Checks, but thereafter falsified the location where the WIC Checks were negotiated.

65. A review of all redeemed WIC checks involved in this fraud during the investigatory period which were exchanged for cash at the Leo Network of Grocery Stores reveal that all were stamped and represented to the government as having been redeemed for payment at KGCB or Ying's, regardless of which store within the Leo Network of Grocery Stores originally exchanged the Checks for cash.

66. In addition, the Leo Network of Grocery Stores all appear to have overlapping ownership and/or management structure.

Specifically, information obtain from government databases reveal the following relationships:

a. TUNG CHA YO, a/k/a "Leo," is married to SAU CHAN; is the brother-in-law of SUNG MAN CHAN; and is the son-in-law of SAU WA YEUNG, all of whom are defendants in the criminal cases.

b. SUNG MAN CHAN is married to FENG ZHENG; is the son of SAU WA YEUNG; is the brother of SAU CHAN; and is the brother-in-law of, respectively, TUNG CHA YO, a/k/a "Leo," and YING ZHENG, all of whom are defendants in the criminal cases.

c. YING ZHENG and FENG ZHENG are sisters, and both are defendants in the criminal cases.

d. The home addresses listed by FENG ZHENG and SAU WA YEUNG on their applications for WIC Licenses for L&C Baby Shop and Kabb's respectively, are the same.

67. As explained above, all of the stores associated with the Leo Network of Grocery Stores (Stores Nos. 1 - 6) processed the fraudulently obtained WIC Checks solely via Ying's or KGCB, the only licensed stores.

68. NYS DOH records reveal that Ying's Grocery, Inc., has a registered corporate bank account at Cathay Bank under the name Ying's Grocery, Inc., ending in Account No. 7547 (the "Cathay 7547 Account").

69. A review of bank statements for the Cathay 7547 Account between May 2013 and September 2013 reveals that approximately \$3.5 million in redeemed WIC Checks were deposited into the Cathay 7547 Account.

70. Bank records reveal that Tung Cha YO, a/k/a "Leo," Sung Man CHAN, Qiguang ZHANG, and Ying ZHENG are the signatories to the Cathay 7547 Account.

71. Further review of the statements of the Cathay 7547 Account reveals that large payments are funneled out of the Cathay 7547 Account to the unlicensed vendors and also to individual owners of the unlicensed stores. Specifically, the following payments were made between March 2013 and September 2013:

a. On an almost monthly basis, the Cathay 7547 Account issued checks made payable to the unlicensed stores ranging anywhere from approximately \$7,000 to \$57,000. For example:

i. On or about May 25, 2013, a check was issued from the Cathay 7547 Account made payable to Welcome Baby, Inc., in the amount of \$57,436.50, which was, in turn, deposited into an account at Capital One Bank, ending in Account No. 5148, held in the name of Welcome Baby, Inc., (the "Cathay 5148 Account").

ii. On or about May 29, 2013, a check was issued from the Cathay 7547 Account made payable to K&Z Grocery, Inc., Inc.

in the amount of \$43,240.72, which was, in turn, deposited into an account at Cathay Bank, ending in Account No. 7449, held in the name of K&Z Grocery, Inc., (the "Cathay 7449 Account").

iii. On or about May 31, 2013, a check was issued from the Cathay 7547 Account made payable to Ying's Grocery, Inc., in the amount of \$26,840.54, which was, in turn, deposited into an account at TD Bank, ending in Account No. 0552, held in the name of Ying's Grocery, Inc., (the "TD 0552 Account").

iv. On or about June 3, 2013, a check was issued from the Cathay 7547 Account made payable to Wong Yung Grocery, Inc., in the amount of \$7,000.00, which was, in turn, deposited into an account at Cathay Bank, ending in Account No. 2387, held in the name of Wong Yung Grocery, Inc., (the "Cathay 2387 Account").

v. On or about June 11, 2013, a check was issued from the Cathay 7547 Account made payable to KGCB Grocery, Inc., in the amount of \$32,000.00, which was, in turn, deposited into an account at Cathay Bank, ending in Account No. 1887, held in the name of KGCB Grocery, Inc., (the "Cathay 1887 Account")

vi. On or about August 6, 2013, a check was issued from the Cathay 7547 Account made payable to Kabb Grocery, Inc. in the amount of \$50,000.00, which was, in turn, deposited into an account at Cathay Bank , ending in Account No. 4170, held in the

name of Kabb Grocery, Inc., (the "Cathay 4170 Account").

vii. On or about August 8, 2013, a check was issued from the Cathay 7547 Account made payable to Mamababy Etc., Inc. in the amount of \$60,000.00, which was in turn, deposited into an account at Bank of America, ending in Account No. 5729, held in the name of Mamababy Etc., Inc., (the "BoA 5729 Account").

viii. On or about August 20, 2013, a check was issued from the Cathay 7547 Account made payable to KGCB Grocery, Inc., in the amount of \$34,573.03, which was, in turn, deposited into an account at Cathay Bank, ending in Account No. 7746, held in the name of KGCB Grocery, Inc., (the "Cathay 7746 Account").

ix. On or about September 3, 2013, a check was issued from the Cathay 7547 Account made payable to Ying's Grocery, Inc., in the amount of \$34,502.75, which was, in turn, deposited into the TD 0552 Account, held in the name of Ying's Grocery, Inc.

b. On an almost monthly basis, three of the four signatories to the Cathay 7547 Account wrote checks made payable to cash which they each signed and endorsed ranging anywhere from approximately \$10,000.00 to \$50,000.00. For example:

i. On or about June 30, July 1, and July 8, 2013, Tung Cha YO, a/k/a "Leo," wrote checks made payable to cash in the amounts of \$30,000.00, \$20,000.00, \$30,000.00, and

\$25,000.00, which he thereafter cashed at Cathay Bank.

ii. On or about July 3, July 9, and July 10, 2013, Sung Man Chan wrote checks made payable to cash in the amounts of \$30,000.00, \$40,000.00, and \$30,000.00, which he thereafter cashed at Cathay Bank.

iii. On or about June 4, June 11, and June 25, 2013, Qiguang Zhang wrote checks made payable to cash in the amounts of \$28,900.00, \$18,900.00, and \$47,800.00, which he thereafter cashed at Cathay Bank.

c. On an almost weekly basis, the remaining signatory to the Cathay 7547 Account (Ying Zheng) wrote checks from the Cathay 7547 Account made payable to Ying's Grocery, Inc., which were deposited into the TD 0552 Account in amounts ranging anywhere from approximately \$25,000.00 to \$28,000.00, and thereafter withdrew the cash from the TD 0552 Account in various amounts. For example, on August 13, 16, 26, and September 6, 2013, Ying Zheng withdrew \$20,000.00, 40,000.00, \$9,900.00 and \$9,900.00, respectively, from the TD Bank 0552 Account.

72. In addition to the Cathay 7547 Account, on or about September 2013, Ying's Grocery notified NY DOH that it was changing its corporate bank account for Ying's Grocery, Inc. from the Cathay 7547 Account to a new account at Capital One, ending in Account No.

3510 ("CapOne 3510 Account"), to deposit WIC Checks.

73. A review of NYS DOH records reveals that between September 2013 and November 2013, the Government directed that approximately \$1.1 million in negotiated WIC Checks be deposited into the CapOne 3510 Account based on redemptions under the WIC Vendor ID Number associated with Ying's Grocery.

74. Bank records for the 3510 CapOne Account reveals that Ying Zheng is the sole signatory to the CapOne 3510 Account.

75. Accordingly, all of the foregoing accounts are subject to forfeiture as containing proceeds of the fraud, as well as promoting and concealing the fraud.

**STORES NOS. 7 AND 8: THE LUCKY STAR STORES**

**Store No. 7: FU YUNG GROCERY, INC.**

76. NYS DOH records reveal that in or about April 2010, Gigi Dong, a defendant, applied for a WIC License on behalf of Fu Yung Grocery, Inc. ("Fu Yung"). The application listed DONG as President of Fu Yung, and indicated that Fu Yung was a one-register, 1,000 square-foot store, located at 5517 Fort Hamilton Parkway, Brooklyn, New York, and had \$225,000 in annual projected gross sales. The application attached a lease for 5517 Fort Hamilton Parkway signed by DONG as lessee.

77. DONG signed a vendor contract in April 2010 which

provided, in part, "[t]he Vendor shall not provide cash or contraband in exchange for WIC checks. No WIC transaction will involve the transfer of cash either to or from the Participant."

78. The application was approved in approximately July 2010. In July 2010, and in order to receive a WIC License and WIC Stamp, DONG attended a training program for WIC Vendors in Brooklyn, New York. Fu Yung received a WIC License and WIC Stamp thereafter.

79. NYS DOH records reveal that from August 2010 to September 2010, Fu Yung redeemed an average of 514 WIC Checks each month. Then, from October 2010 to February 2011, Fu Yung redeemed an average of 3,556 WIC Checks each month. Then, from March 2011 to February 2013, Fu Yung redeemed an average of 12,337 WIC Checks each month. During the period from August 2010, up to and including February 2013, Fu Yung redeemed more than \$7.4 million in WIC Checks.

80. Fu Yung held a WIC License until it was terminated approximately March 2013.

81. Between March 22, 2013 and September 18, 2013, at which time Fu Yung did not hold a WIC License, CIs exchanged WIC Checks for cash, not for eligible food items, at Fu Yung approximately 4 times. During those transactions, the confidential informants exchanged approximately 48 WIC Checks with face value of approximately \$2,249 for approximately \$1,884 in cash. In

particular, the CIs exchanged WIC Checks for cash at Fu Yung on the following dates: March 22, 2013; June 25, 2013; August 20, 2013; and September 18, 2013.

82. The CIs received in cash approximately 80-85 percent of the face value of the WIC Checks they exchanged at Fu Yung.

83. Because Fu Yung is not a WIC-licensed vendor, the WIC Checks that were exchanged for cash by Fu Yung during this time period were all subsequently stamped with a WIC Stamp belonging to, and deposited into the bank account of, a store with a WIC License, namely, Lucky Star, Inc., discussed below.

**Store No. 8: LUCKY STAR GROCERY, INC.**

84. NYS DOH records reveal that in or about May 2011, LAN LU JIANG, a/k/a "Lan Jiang Lu," a defendant, applied for a WIC License on behalf of "Lucky Star Grocery Inc." ("Lucky Star"). The application listed LU as the President of Lucky Star, and indicated that Lucky Star was a one-register, 900 square foot store, located at 5806 Fort Hamilton Parkway, Brooklyn, New York, and had \$325,000 in gross annual food sales.

85. The application was approved, and prior to receiving a WIC License and WIC Stamp, JIANG attended a training program for WIC Vendors in Manhattan, New York. Lucky Star received a WIC License and WIC Stamp thereafter, which are presently active.

86. JIANG signed a vendor contract in May 2011 which provided, in part, "The Vendor shall not provide cash or contraband in exchange for WIC checks. WIC transactions shall not involve the transfer of cash either to or from the Participant with the exception of cash value WIC checks for vegetables and fruits."

87. NYS DOH records reveal that from March 2012 to June 2012, Lucky Star redeemed an average of 378 WIC Checks each month. Then, from July 2012 through October 2013, Lucky Star redeemed an average of 4,572 WIC Checks each month. During the period from March 2012, up to and including October 2013, Lucky Star redeemed more than \$1.8 million in WIC Checks.

88. Between March 6, 2013 and November 13, 2013, CIs exchanged WIC Checks for cash, not for eligible food items, at Lucky Star approximately 5 times. During those transactions, the CIs exchanged approximately 61 WIC Checks with a face value of approximately \$3,584 for \$3,026 in cash. In particular, CIs exchanged WIC Checks for cash at Lucky Star on the following dates: March 6, 2013; June 6, 2013; June 27, 2013; August 20, 2013; September 17, 2013; and November 13, 2013.

89. Based on discussions with representatives and review of records from the NYS DOH, between approximately March 2013 and November 2013, Lucky Star deposited in an approved bank account

approximately 48 WIC Checks that had been exchanged for cash at Fu Yung, as described above.

90. Based on a review of bank records, Lucky Star and Fu Yung both maintain corporate bank accounts at Cathay Bank.

91. Shumin Dong, a defendant, is a signatory on bank accounts for both Fu Yung and Lucky Star, and is listed in corporate bank account documents as the Secretary of Lucky Star and an Officer of Fu Yung.

92. Gigi Dong, the defendant, is a signatory on the bank account for Fu Yung and is listed in corporate bank account documents as the President of Fu Yung.

93. Lan Lu Jiang, a/k/a "Lan Jiang Lu," the defendant, is a signatory on bank accounts for both Fu Yung and Lucky Star, and is listed in corporate bank account documents as the President of Lucky Star and as Secretary of Fu Yung.

94. Government databases reveal that Shumin Dong and Gigi Dong are married to one another.

#### The Lucky Star Bank Accounts

95. As discussed above, both Store No. 7 (Fu Yung) and Store No. 8 (Lucky Star) illegally purchased WIC Checks for cash.

96. In addition, Store No. 7 (Fu Yung) is not licensed to accept WIC Checks, and thus, the WIC Checks were all fraudulently

redeemed through Store No. 8 (Lucky Star), which is a licensed WIC Vendor. Thus, all WIC Checks illegally purchased for cash by the Lucky Star store are redeemed via the Lucky Star Vendor ID number and the associated corporate bank account, which is a Cathay Bank Account ending in No. 8178 (the "Cathay 8178 Account") in the name of Lucky Star.

97. A review of bank statements and cancelled checks for the Cathay 8178 Account reveals that the Cathay 8178 Account also pays the rent for the unlicensed Fu Yung location, as well as certain suppliers of merchandise for the Fu Yung store.

98. Accordingly, the Cathay 8178 Account is subject to forfeiture as containing proceeds of the fraud, as well as promoting and concealing the fraud.

**Store No. 9: B&B Grocery, Inc.**

99. Yong Lin, a defendant, held a WIC License on behalf of Brian's Mini Mart, Inc., ("Brian's Mini Mart"), beginning in or about February 2010 up to and including February 2012. The application listed Lin as President of Brian's Mini Mart, and indicated that Brian's Mini Mart was a one-register, 600 square foot store, located at 4023 8<sup>th</sup> Avenue, Brooklyn, New York, at the same location.

100. In or about February 2010 and June 2011, Lin

attended mandatory WIC Vendor training sessions.

101. From in or about March 2010, up to and including February 2012, Brian's Mini Mart redeemed over \$1,300,000 worth of WIC checks.

102. In or about February 2012, NYS DOH conducted an investigation into Brian's Mini Mart, and determined that Brian's Mini Mart could not substantiate its WIC formula redemptions for the period between August 12, 2011, through November 15, 2011.

103. In or about February 2012, Lin returned the WIC Stamp for Brian's Mini Mart.

104. In or about July 2012, Qiao Fang Zheng, a defendant, applied for a WIC License on behalf of "B&B Grocery, Inc." ("B&B Grocery"), a one-register store. The application listed Zheng as President of B&B Grocery, and indicated that B&B Grocery was a one-register, 700 square foot store, located at 4023 8th Avenue, Brooklyn, New York, the same address as Brian's Mini Mart. The application also indicated in substance, that no present owners or employees have ever been fined, non-renewed, disqualified, terminated, suspended or denied participation by the WIC or Food Stamp Programs.

105. Zheng signed a vendor contract in or about July 2012 which provided, in part, "[t]he Vendor shall not provide cash or

contraband in exchange for WIC checks. No WIC transaction will involve the transfer of cash either to or from the Participant.”

106. In or about July 2012, Zheng attended a training program in Manhattan required for a vendor’s participation in the WIC Program.

107. B&B Grocery’s application was approved in or about September 2012, and that license is presently active.

108. NYS DOH records reveal that B&B Grocery, Inc., designated is a WIC licensed store and its corporate bank account as an account ending in No. 6413, at First American International Bank, held in the name of B&B Grocery Inc., (the “FAIB 6413 Account”). Bank records for the FAIB 6413 Account reveal that Yong Lin (previously of Brian’s Mini Mart) and Qiao Fang Zheng (of B&B Grocery), are each listed as a signatories on B&B Grocery’s bank account where WIC redemptions are deposited. Notably, Lin is also listed as a signatory on another FAIB account associated with another WIC Vendor, H&I Grocery, Inc. (Store No. 12, below), where WIC redemptions are also deposited.

109. Based on a review of NYS DOH records, between in or about April 2013 up to and including November 2013, CIs exchanged WIC Checks for cash, not for eligible food items, at B&B Grocery on numerous occasions. During those transactions, CIs exchanged over

60 WIC Checks with a face value of over approximately \$3,222 for over approximately \$2,600 in cash. In particular, CIs exchanged 5 WIC Checks in April 2013; 20 WIC Checks in June 2013; 17 WIC Checks in August 2013; 17 WIC Checks in September 2013; and 3 WIC Checks in November 2013.

110. A review of NYS DOH records reveals that the WIC Checks that were exchanged for cash at B&B Grocery during the period of investigation:

a. in or about April 2013 were stamped and presented for payment by another WIC Participant, Helen's Mini Mart, which was not authorized to accept WIC checks on behalf of B & B Grocery.

b. in or about June 2013 and August 2013 were stamped and presented for payment either by B&B Grocery or by another WIC Participant, H&I Grocery (Store No. 12). H&I Grocery was not authorized to accept WIC checks on behalf of B&B Grocery.

c. in or about September 2013 were stamped and presented for payment by another WIC Participant, Heng Feng Food, Inc. (See discussion under Store No. 14, below), which was not authorized to accept WIC checks on behalf of B&B Grocery.

111. As set forth hereon, B&B Grocery, Inc., illegally cashed WIC Checks. A review of bank records confirms that between

March 2013 and September 2013, approximately \$391,000 in WIC Checks were deposited into the FAIB 6413 Account.

112. Accordingly, the FAIB 6413 Account is subject to forfeiture as containing proceeds of the fraud, as well as promoting and concealing the fraud.

**STORES NOS. 10 AND 15: THE LUCKY MARKET, INC. AND LUCKY STAR MINI MARKET, INC. ACCOUNTS**

113. Lucky Market, Inc., ("Lucky Market") is located at 4017 Junction Boulevard, Corona, New York. NYS DOH records reveal that in or about May 2012, Tian Zhuang Lu, a defendant, applied for a WIC license on behalf of Lucky Market. The application listed Lu as the President of Lucky Market and indicated that the location was a one register store located at 4017 Junction Boulevard, Corona, New York. The application also attached property documents regarding the location at 4017 Junction Boulevard, Corona, New York.

114. Lu signed a vendor contract in or around May 2012 which provided, in part, "[t]he Vendor shall not provide cash or contraband in exchange for WIC checks. No WIC transaction will involve the transfer of cash either to or from the Participant."

115. The application was approved in approximately September 2012. In or around September 2012, and in order to receive a WIC License and WIC Stamp, Lu attended a training program for WIC Vendors in Manhattan. Lucky Market received a WIC License and WIC

Stamp thereafter.

116. NYS DOH records reveal that from October 2012 to December 2012, Lucky Market redeemed an average of 514 WIC Checks each month. Then, from January 2013 to July 2013, Lucky Market redeemed an average of 5,235 WIC Checks each month. Then, from August 2013 to October 2013, Lucky Market redeemed an average of 7,309 WIC Checks each month. During the period from September 2012, up to and including February 2013, Lucky Market redeemed more than \$1.1 million in WIC Checks.

117. Between August 13, 2013 and November 13, 2013, CIs exchanged WIC Checks for cash, not for eligible food items, at Lucky Market approximately 3 times. During those transactions, the CIs exchanged approximately 57 WIC Checks with face value of approximately \$2,984 for approximately \$2,471 in cash. In particular, the CIs exchanged WIC Checks for cash at Lucky Market on the following dates: August 20, 2013; September 18, 2013; and November 13, 2013.

118. The CIs received in cash approximately 80-85 percent of the face value of the WIC Checks they exchanged at Lucky Market.

119. Based on discussions with representatives of NYS DOH and a review of NYS DOH records, Lucky Market deposited in an approved bank account the WIC Checks that had been exchanged in August and

September of 2013 for cash at Lucky Market, as described above.

120. Lucky Star Mini Market, Inc., is located at 5822 5 Avenue, Brooklyn, New York. Based on a review of New York State corporate records, Lucky Star Mini Market, Inc., ("Lucky Star Mini") was incorporated by an individual known as Run Lu.

121. Based on discussions with representatives of NYS DOH and a review of NYS DOH records it has been determined that Lucky Star Mini is not currently licensed as a WIC Vendor and is therefore not authorized to accept WIC Checks.

122. From September 2013 to November 2013, CIs exchanged WIC Checks for cash, not for eligible food items, at Lucky Star Mini approximately 3 times. During those transactions, the confidential informants exchanged approximately 40 WIC Checks with face value of approximately \$1,825 for approximately \$1,475 in cash. In particular, the CIs exchanged WIC Checks for cash at Lucky Market on the following dates: September 5, 2013; September 18, 2013, and November 13, 2013.

123. Because Lucky Star Mini is not a WIC-licensed vendor, the WIC Checks that were exchanged for cash by Lucky Star Mini from September 2013 to November 2013 were actually redeemed via Lucky Market, discussed above.

124. As explained above, both Lucky Market and Lucky Star

Mini illegally cashed WIC Checks. However, Lucky Star Mini is not licensed to accept WIC Checks. As such, Lucky Star Mini first illegally cashed WIC Checks and thereafter Lucky Market falsely certified that WIC Checks had been redeemed at Lucky Market, causing the Government to submit funds to the corporate account held by Lucky Market.

125. NYS DOH records reveal that Lucky Market designated its corporate bank account as an account ending in No. 7890, at First American International Bank, held in the name of Lucky Market, Inc., (the "FAIB 7890 Account").

126. A review of bank records confirms that between March 2013 and September 2013, approximately \$900,000 in WIC Checks were deposited into the FAIB 7890 Account.

127. Bank records reveal that the signatory on the FAIB 7890 Account is Tian Zhuang Lu.

128. Accordingly, the FAIB 7890 Account is subject to forfeiture as containing proceeds of the fraud, as well as promoting and concealing the fraud.

**STORE NO. 11: THE NEW HING WONG GINSENG, INC.**

129. New Hing Wong Ginseng, Inc., is located at 56 East Broadway, Suite A, New York, New York. NYS DOH records reveal that in or around January 2011, Yi Ting Liu filed a vendor application

for the WIC program for New Hing Wong Ginseng, Inc. ("New Hing Wong"), located 56 East Broadway, Suite A, New York, New York.

130. Based on the investigation and a review of NYS DOH records, between in or about June 2013 up to and including November 2013, CIs exchanged WIC Checks for cash, not for eligible food items, at New Hing Wong on numerous occasions. During those transactions, CIs exchanged 67 WIC Checks with a face value of over approximately \$3,698 for over approximately \$3,000 in cash. In particular, CIs exchanged 30 WIC Checks in June 2013; 17 WIC Checks in August 2013; 17 WIC Checks in September 2013; and, 3 WIC Checks in November 2013.

131. NYS DOH records reveal that New Hing Wong designated its corporate bank account as an account ending in No. 7141, at Cathay Bank, held in the name of New Hing Wong Ginseng, Inc., (the "Cathay Bank 7141 Account").

132. A review of bank and NYS DOH records confirms that between June 2013 and September 2013, approximately \$321,000 in WIC Checks were deposited into the Cathay Bank 7141 Account. Bank records reveal that the sole signatory on the Cathay Bank 7141 Account is Ying Ting Liu.

133. Of the 30 WIC Checks exchanged at New Hing Wong in June 2013, a review of bank and NYS DOH records reveal that only 14

were redeemed via the Vendor Stamp assigned to New Hing Wong and subsequently deposited into the Cathay Bank 7141 Account.

134. A review of NYS DOH records reveals that the remaining June 2013 WIC Checks, along with the WIC checks illegally exchanged at New Hing Wong in August and September 2013, were redeemed via the Vendor Stamp assigned to the business known as Xin Shun Grocery, Inc., ("Xin Shun"), located at 32B Henry Street, New York, New York, discussed further below. Thus, by affixing its Vendor Stamp, Xin Shun falsely and illegally deposited the exchanged WIC Checks by certifying that the WIC Checks were exchanged for WIC items at Xin Shun.

135. Accordingly, the Cathay Bank 7141 Account is subject to forfeiture as containing proceeds of the fraud, as well as promoting and concealing the fraud.

**STORE NO. 12: THE H&I GROCERY, INC.**

136. NYS DOH records reveal that on or about June 16, 2011, Ho Chan filed a vendor application for the WIC program for H&I Grocery, Inc. ("H&I"), located at 2847 86<sup>th</sup> Street, Brooklyn, New York.

137. Based on the investigation and a review of NYS DOH records, between in or about May 2013 up to and including September 2013, CIs exchanged WIC Checks for cash, not for eligible food items,

at Xing on numerous occasions. During those transactions, CIs exchanged approximately 71 WIC Checks with a face value of over approximately \$3,755 for over approximately \$3,006 in cash. In particular, CIs exchanged 7 WIC Checks in May 2013; 30 WIC Checks in June 2013; 17 WIC Checks in August 2013, and 17 WIC Checks in September 2013.

138. NYS DOH records further reveal that of the 71 WIC Checks exchanged for cash at H&I, a portion were designated as having been redeemed at H&I's location, but another portion of the checks were designated as having been redeemed at Family Mart, discussed below.

139. As set forth herein, H&I illegally cashed WIC Checks. NYS DOH records reveal that H&I designated its corporate bank account as an account ending in No. 7692, at First American International Bank, held in the name of H&I Grocery, Inc., (the "FAIB 7692 Account").

140. A review of bank records confirms that between March 2013 and September 2013, approximately \$275,000 in WIC Checks were deposited into the FAIB 7692 Account.

141. Bank records reveal that the signatories on the FAIB 7692 Account are Ho Chan and Yong Lin.

142. Accordingly, the FAIB 7692 Account is subject to

forfeiture as containing proceeds of the fraud, as well as promoting and concealing the fraud.

**STORES NOS. 13 AND 17: THE 6926 FAMILY MART, INC.**  
**AND YONG FENG MARKET, INC.**

143. NYS DOH records reveal that on or about February 22, 2013, Jie Chen filed a vendor application for the WIC program for 6926 Family Mart, Inc. ("Family Mart"), located at 6926 4<sup>th</sup> Avenue, Brooklyn, New York.

144. Based on the investigation and a review of NYS DOH records, in or about September 2013, CIs exchanged WIC Checks for cash, not for eligible food items, at Family Mart on several occasions. During those transactions, CIs exchanged approximately 34 WIC Checks with a face value of over approximately \$1,532 for over approximately \$1,227 in cash. In particular, CIs exchanged 17 WIC Checks on September 5, 2013 and 17 WIC Checks on September 18, 2013.

145. NYS DOH records reveal that on or about March 30, 2010, Hao Chen filed a vendor application for the WIC program for Yong Feng Market, Inc. ("Yong Feng"), located at 6109 5<sup>th</sup> Avenue, Brooklyn, New York. Yong Feng, however, was disqualified as a WIC Vendor on November 11, 2012.

146. Based on the investigation and a review of NYS DOH records, between in or about May 2013 and September 2013, CIs exchanged WIC Checks for cash, not for eligible food items, at Family

Mart on several occasions. During those transactions, CIs exchanged approximately 101 WIC Checks with a face value of over approximately \$5,782 for over approximately \$4,917 in cash. In particular, CIs exchanged 7 WIC Checks in May 2013, 60 WIC Checks in June 2013, 17 WIC Checks in August 2013, and 17 WIC Checks in September 2013.

147. Because Yong Feng is not a licensed WIC Vendor, all 101 WIC Checks which were exchanged for cash at Yong Feng were designated as having been redeemed at three other licensed locations: Family Mart, H&Q Market, Inc., and Last Stop Fresh Meat and Fruit Market. As such, funds were deposited in these stores' designated corporate accounts.

148. As set forth above, both 6926 Family Mart, Inc. and Yong Feng Market, Inc., illegally cashed WIC Checks. However, Yong Feng Market, Inc., is not a licensed store and as such, the WIC Checks were first illegally cashed at an unlicensed store, and thereafter falsely reported to have been redeemed at the 6926 Family Mart, Inc., among others, with WIC redemption funds being issued by the Government to the corporate bank account of 6926 Family Mart, Inc.

149. NYS DOH records reveal that Family Mart designated its corporate bank account as an account ending in No. 1503, at Cathay Bank, held in the name of 6926 Family Mart, Inc., (the "Cathay Bank 1503 Account").

150. A review of bank records confirms that between March 2013 and September 2013, approximately \$1,000,000 in WIC Checks were deposited into the Cathay Bank 1503 Account.

151. Bank records reveal that the signatory on the Cathay Bank 1503 Account is Jie Chen.

152. Accordingly, the Cathay Bank 1503 Account is subject to forfeiture as containing proceeds of the fraud, as well as promoting and concealing the fraud.

**STORE NO. 14: HONG SHENG FOOD, INC. AND HENG FENG AND THE BUILDING**

153. Hong Sheng Food, Inc. ("HSF"), is located at 6101 Fifth Avenue, Brooklyn, New York, which is a four-story brick building on the corner of 61st Street and Fifth Avenue in Brooklyn (the "Building"). The Building has two store fronts: an unlicensed WIC vendor with an entrance at 6101 Fifth Avenue (Hong Sheng Food) and a licensed WIC Vendor with an entrance at 512 61st Street, on the 61st Street side of the Building (Heng Feng Food, Inc. ("Heng Feng"))).

154. Surveillance conducted on the Building reveals that the Heng Feng store, and its entrance on 61st Street, does not appear open for customers. Rather, it bears a sign directing customers to call a specific number, which, when called, refers the customer to 6101 Fifth Avenue.

155. The investigation has revealed that the Building is being used to facilitate the theft of Government funds and to launder proceeds of the funds. Specifically, Store No. 14 herein, HSF, is not licensed to accept WIC Checks. Nevertheless, undercover agents have successfully cashed WIC Checks for a percentage of the face value of the WIC Check at Store No. 14. As Store No. 14 is not a licensed vendor, Store No. 14 used another store front, Heng Feng, a licensed WIC Vendor, to redeem and obtain payment for the WIC Checks.

156. Law enforcement officers have observed that the two store fronts are physically located inside the same building, and are only separated by sheet rock. Further surveillance has revealed that the WIC licensed store at 512 61st Street is rarely open to customers, is usually opened from the inside of the Building, and typically retains a sign in the store door instructing customers to contact a telephone number. Upon calling the displayed telephone number in an undercover capacity, HSI was instructed to enter the Building via the unlicensed store front to exchange checks.

157. Furthermore, during an illicit exchange of checks on June 6, 2013 in the Building, a CI had the following conversation, in the Chinese language and in sum and substance with the clerk thereat:

CI: Is the store in the rear belonged to you too?  
CLERK: Yes! Usually it's locked.

CI:           Yeah. I was wondering why the door was locked all the time.

158. Bank records of negotiated WIC Checks confirm that all WIC Checks purchased by Store No. 14 were, in fact, redeemed by Heng Feng, a licensed WIC Vendor, located at 512 61st Street, which is the same address as the Building, but with an entrance on the 61st Street side of the Building.

159. NYS DOH records reveal that Heng Feng Food, Inc., is a WIC licensed store and its corporate bank account is designated as an account ending in No. 5528, at First American International Bank, held in the name of Heng Feng Food, Inc., (the "FAIB 5528 Account").

160. A review of bank records confirms that between March 2013 and September 2013, approximately \$1,700,000 in WIC Checks were deposited into the FAIB 5528 Account.

161. Bank records reveal that the signatories of the FAIB 5528 Account are Tian Cheng Lu, Xiu Zhen Lu, Juan Qing Lu, and Xiugui Lu.

162. The Building is owned by Juan Qing Lu and Xiu Yun ZHANG. The building was purchased on July 19, 2005 for \$1,275,000.00.

163. Accordingly, the FAIB 5528 Account is subject to forfeiture as containing proceeds of the fraud, as well as promoting

and concealing the fraud. Further, Lu's interest in the Building is subject to forfeiture as property involved in money laundering.

**STORE NO. 16: THE XING YONG XING**

164. NYS DOH records reveal that on or about December 19, 2011, Ri Zhan Zheng filed a vendor application for the WIC program for Xing Yong Xing, Inc. ("Xing"), located at 4902 7<sup>th</sup> Avenue, Brooklyn, New York 11220.

165. Based on the investigation and a review of NYS DOH records, between in or about May 2013 up to and including September 2013, CIs exchanged WIC Checks for cash, not for eligible food items, at Xing on numerous occasions. During those transactions, CIs exchanged approximately 101 WIC Checks with a face value of over approximately \$5,785 for over approximately \$4,877 in cash. In particular, CIs exchanged 7 WIC Checks in May 2013; 60 WIC Checks in June 2013; 17 WIC Checks in August 2013, and 17 WIC Checks in September 2013.

166. NYS DOH records reveal that Xing designated its corporate bank account as an account ending in No. 9531, at Cathay Bank, held in the name of Xing Yong Xing, Inc., (the "Cathay 9531 Account").

167. NYS DOH records further reveal that of the 101 WIC Checks exchanged for cash at Xing's, 62 were designated as having

been redeemed at Xing's location, but another 39 checks were designated as having been redeemed at another WIC-licensed location.

168. A review of bank records confirms that between March 2013 and September 2013, approximately \$1,000,000 in WIC Checks were deposited into the Cathay 9531 Account.

169. Bank records reveal that the signatory on the Cathay Bank 9531 Account is Ri Zhan Zheng.

170. Accordingly, the Cathay Bank 9531 Account is subject to forfeiture as containing proceeds of the fraud, as well as promoting and concealing the fraud.

**STORE NO. 18: DOUBLE CRYSTAL GROCERY, INC.**

171. NYS DOH records reveal that on or about March 27, 2008, Ce Yang Zeng filed a vendor application for the WIC program for Double Crystal Grocery, Inc. ("Double Crystal"), located at 1777 62<sup>nd</sup> Street, Brooklyn, New York 11204. On or about January 3, 2011, Qin Yan Zeng was added as Vice President of Double Crystal.

172. Based on the investigation and a review of NYS DOH records, between in or about May 2013 up to and including August 2013, CIs exchanged WIC Checks for cash, not for eligible food items, at Double Crystal on numerous occasions. During those transactions, CIs exchanged over 84 WIC Checks with a face value of over approximately \$5,018 for over approximately \$4,013 in cash. In

particular, CIs exchanged 7 WIC Checks in May 2013; 60 WIC Checks in June 2013; and 17 WIC Checks in August 2013.

173. NYS DOH records reveal that Double Crystal designated its corporate bank account as an account ending in No. 3689, at First American International Bank, held in the name of Double Crystal Grocery, Inc., (the "FAIB 3689 Account").

174. A review of bank records confirms that between March 2013 and September 2013, approximately \$151,000 in WIC Checks were deposited into the FAIB 3689 Account. Bank records reveal that the signatories on the FAIB 3689 Account are Ce Yang Zeng and Qiu Yan Zeng.

175. Accordingly, the FAIB 3689 Account is subject to forfeiture as containing proceeds of the fraud, as well as promoting and concealing the fraud.

**STORE NO. 19: XIN SHUN GROCERY, INC.**

176. As set forth above, Xin Shun Grocery, Inc. ("Xin Shun"), illegally redeemed WIC Checks previously exchanged for cash at New Hing Wong Ginseng, Inc. NYS DOH records reveal that Xin Shun Grocery, Inc., is a WIC licensed store and its corporate bank account is designated as an account ending in No. 7289, at Cathay Bank, held in the name of Xin Shun Grocery Grocery Inc., (the "Cathay Bank 7289 Account").

177. A review of bank records confirms that between March 2013 and September 2013, approximately \$268,000 in WIC Checks were deposited into the Cathay Bank 7289 Account.

178. Bank records reveal that the signatory on the Cathay Bank 7289 Account is De Yun Zheng.

179. Accordingly, the Cathay Bank 7289 Account is subject to forfeiture as containing proceeds of the fraud, as well as promoting and concealing the fraud.

#### **VIII. CLAIMS FOR FORFEITURE**

##### **FIRST CLAIM FOR RELIEF**

##### **Forfeiture Under 18 U.S.C. § 981(a)(1)(A) - Money Laundering and Conspiracy**

180. Paragraphs 1 through 178 of this Complaint are repeated and realleged as if fully set forth herein.

181. Pursuant to 18 U.S.C. § 981(a)(1)(A), "[a]ny property, real or personal, involved in a transaction in violation of section 1956 [or] 1957 . . . of [Title 18, relating to money laundering offenses], or any property traceable to such property," is subject to forfeiture.

182. Pursuant to Title 18, United States Code, Section 1956, commonly known as the "money laundering" statute, a crime is committed by a person who:

(a) (1) . . . knowing that the property involved

in a financial transaction represents the proceeds of some form of unlawful activity, conducts or attempts to conduct such a financial transaction which in fact involves the proceeds of specified unlawful activity -

(A) (i) with the intent to promote the carrying on of specified unlawful activity . . .

(B) knowing that the transaction is designed in whole or in part - (i) to conceal or disguise the nature, the location, the source, the ownership, or the control of the proceeds of specified unlawful activity . . .

shall be guilty of a crime.

183. Title 18, United States Code, Section 1956(h) further provides that "[a]ny person who conspires to commit any offense defined in this section or section 1957 shall be subject to the same penalties as those prescribed for the offense the commission of which was the object of the conspiracy."

184. Title 18, United States Code, Section 1957 further provides that "[w]hoever, . . . knowingly engages or attempts to engage in a monetary transaction in criminally derived property of a value greater than \$10,000 and is derived from specified unlawful activity, shall be punished as provided in subsection (b) [fine or imprisonment for not more than ten years]."

185. The Defendant Properties are subject to forfeiture pursuant to Title 18, United States Code, Section 981(a)(1)(A) as

they constitute property used to perpetuate the WIC fraud described herein and to promote the fraud and thereafter conceal the proceeds of the fraud, with such transactions intended to promote such specified unlawful activity and carried out with knowledge that the property represented the proceeds of illegal activity, and a conspiracy to undertake such transactions. These transactions included, but are not limited to (1) engaging in a scheme to illegally exchange WIC Checks for cash; and (2) falsely representing the WIC Vendor to redeem WIC Checks.

**SECOND CLAIM FOR RELIEF**

**Forfeiture Under 18 U.S.C. § 981(a) (1) (C) -  
Conspiracy to Steal Government Funds and Theft of Government Funds**

186. Paragraphs 1 through 184 of this Complaint are repeated and realleged as if fully set forth herein.

187. Title 18, United States Code, Section 981(a) (1) (C) subjects to forfeiture:

Any property, real or personal, which constitutes or is derived from proceeds traceable to a violation of section . . . any offense constituting 'specified unlawful activity' (as defined in section 1956(c) (7) of this title), or a conspiracy to commit such offense.

188. Title 18, United States Code, Section 1956(c) (7) (D) defines the term "specified unlawful activity" to mean, in relevant part, "an offense under section 641" (relating to public money,

property, or records).

189. Title 18, United States Code, Section 641, provides that

Any person who embezzles, steals, purloins, or knowingly converts to his use or the use of another, or without authority, sells, conveys or disposes of any record, voucher, money, or thing of value of the United States or of any department or agency thereof . . . [s]hall be . . . imprisoned . . . .

190. By reason of the above, the Defendant Properties constitute, or are traceable to, the proceeds of conspiracy to steal government funds and theft of Government funds, in violation of Title 18, United States Code, Sections 371 and 641.

191. Accordingly, the Defendant Properties are subject to forfeiture to the United States of America pursuant to Title 18, United States Code, Sections 981(a)(1)(A) and 981(a)(1)(C).

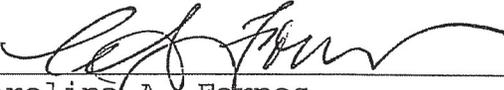
WHEREFORE, Plaintiff United States of America prays that process issue to enforce the forfeiture of the Defendant Properties and that all persons having an interest in the Defendant Properties be required to appear and show cause why the forfeiture of the Defendant Properties should not be decreed, that this Court decree forfeiture of the Defendant Properties to the United States of America for disposition according to law, and that this Court grant

plaintiff such further relief as it may deem just and proper, together with the costs and disbursements of this action.

Dated: New York, New York  
November 20, 2013

PREET BHARARA  
United States Attorney for  
the Southern District of New York  
Attorney for the Plaintiff  
United States of America

By:

  
\_\_\_\_\_  
Carolina A. Fornos  
Assistant United States Attorney  
One St. Andrew's Plaza  
New York, New York 10007

# EXHIBIT A

**EXHIBIT A**

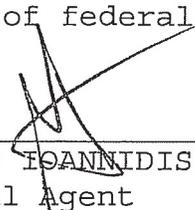
No.	Account Holder	Bank	Account No.
1.	YINGS GROCERY, INC.	Cathay Bank	665927547
2.	WELCOME BABY, INC.	Capital One Bank	7527725148
3.	K&Z GROCERY, INC.	Cathay Bank	066517449
4.	MAMABABY ETC. INC.	Bank of America	483048355729
5.	WONG YUNG GROCERY, INC.	Cathay Bank	0685922387
6.	KGCB GROCERY, INC.	Cathay Bank	0665917746 and 0665931887
7.	YINGS GROCERY, INC.	TD Bank	4265980552
8.	KABB GROCERY, INC.	Cathay Bank	0665934170
9.	YING'S GROCERY, INC.	Capital One	7527743510
10.	LUCKY STAR GROCERY, INC.	Cathay Bank	52308178
11.	B&B GROCERY, INC.	First American International Bank	88116413
12.	LUCKY MARKET, INC.	First American International Bank	88117890
13.	NEW HING WONG GINSENG, INC.	Cathay Bank	51867141
14.	H&I GROCERY, INC.	First American International Bank	88117692
15.	HENG FENG FOOD, INC.	First American International Bank	59105528
16.	XING YONG XING, INC.	Cathay Bank	52309531
17.	6926 FAMILY MART, INC.	Cathay Bank	52311503
18.	DOUBLE CRYSTAL GROCERY, INC.	First American International Bank	59103689
19.	Xin Shun Grocery, Inc.	Cathay Bank	51887289

VERIFICATION

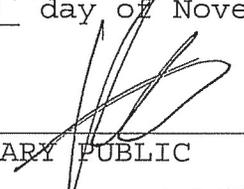
STATE OF NEW YORK )  
COUNTY OF NEW YORK )  
SOUTHERN DISTRICT OF NEW YORK )

GEORGE IOANNIDIS, being duly sworn, deposes and says that he is a Special Agent of the Department of Homeland Security, Homeland Security Investigations and as such has responsibility for the within action; that he has read the foregoing Verified Complaint and knows the contents thereof; and that the same is true to the best of his own knowledge, information and belief.

The sources of deponent's information and the ground of his belief are official records and files of the United States and information obtained directly and indirectly by deponent during an investigation of alleged violations of federal criminal laws.

  
\_\_\_\_\_  
GEORGE IOANNIDIS  
Special Agent  
Homeland Security Investigations

Sworn to before me this  
19<sup>th</sup> day of November, 2013

  
\_\_\_\_\_  
NOTARY PUBLIC

KEVIN C. GORMAN  
Notary Public, State of New York  
No. 02GO6161201  
Qualified in WESTCHESTER County  
Commission Expires FEBRUARY 20, 2015